

STATE OF MICHIGAN  
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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|  |   |                  |
|--|---|------------------|
| In the matter of the application of                | ) |                  |
| <b>CONSUMERS ENERGY COMPANY</b>                    | ) |                  |
| for approval of a gas cost recovery plan and       | ) | Case No. U-17943 |
| authorization of gas cost recovery factors for the | ) |                  |
| 12-month period ending March 31, 2017.             | ) |                  |
| _____  | ) |                  |

At the November 22, 2016 meeting of the Michigan Public Service Commission in Lansing,  
Michigan.

PRESENT: Hon. Sally A. Talberg, Chairman  
Hon. Norman J. Saari, Commissioner  
Hon. Rachael A. Eubanks, Commissioner

**ORDER APPROVING SETTLEMENT AGREEMENT**

On December 30, 2015, pursuant to 1982 PA 304, MCL 460.6h, Consumers Energy Company (Consumers) filed an application with supporting testimony and exhibits requesting approval of a gas cost recovery (GCR) plan and factors for the 12-month period ending March 31, 2017.

A prehearing conference was held on February 3, 2016, before Administrative Law Judge Sharon L. Feldman (ALJ). Consumers, the Commission Staff, and the Michigan Department of the Attorney General (Attorney General) participated in the proceedings. Subsequently, the parties submitted a settlement agreement resolving all issues in this case.

According to the terms of the settlement agreement, attached as Exhibit A, the parties agree that Consumers' 2016-2017 GCR plan, as presented by the company, should be approved. The parties further agree that the Commission should approve a base GCR factor of \$2.8328 per

thousand cubic feet (Mcf). In addition, the parties agree the Commission should approve a proposed ceiling price contingency mechanism attached to the settlement agreement as Attachment A, that is consistent with the Commission's May 3, 2016 order in Case No. U-17693. The parties further agree that Consumers shall continue to present, in its GCR plan case filing, analysis of its gas purchasing strategies, including planned citygate purchases and planned contracts with interstate pipelines, during colder-than-normal periods. The parties also agree that the Commission should accept the company's five-year GCR forecast.

The Commission finds that the settlement agreement is reasonable and in the public interest, and should be approved.

THEREFORE, IT IS ORDERED that:

- A. The settlement agreement, attached as Exhibit A, is approved.
- B. Consumers Energy Company's 2016-2017 gas cost recovery plan and factors, along with the contingency mechanism attached as Attachment A to the settlement agreement, are approved.
- C. Consumers Energy Company's five-year gas cost recovery forecast presented in its 2016-2017 gas cost recovery plan filing is accepted.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so by the filing of a claim of appeal in the Michigan Court of Appeals within 30 days of the issuance of this order, under MCL 462.26. To comply with the Michigan Court Rules' requirement to notify the Commission of an appeal, appellants shall send required notices to both the Commission's Executive Secretary and to the Commission's Legal Counsel. Electronic notifications should be sent to the Executive Secretary at [mpscdockets@michigan.gov](mailto:mpscdockets@michigan.gov) and to the Michigan Department of the Attorney General—Public Service Division at [pungpl@michigan.gov](mailto:pungpl@michigan.gov). In lieu of electronic submissions, paper copies of such notifications may be sent to the Executive Secretary and the Attorney General—Public Service Division at 7109 W. Saginaw Hwy., Lansing, MI 48917.

MICHIGAN PUBLIC SERVICE COMMISSION

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Sally A. Talberg, Chairman

By its action of November 22, 2016.

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Norman J. Saari, Commissioner

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Kavita Kale, Executive Secretary

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Rachael A. Eubanks, Commissioner

STATE OF MICHIGAN  
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

|  |   |                  |
|--|---|------------------|
| In the Matter of the application of      | ) |                  |
| CONSUMERS ENERGY COMPANY for             | ) |                  |
| Approval of a Gas Cost Recovery Plan and | ) | Case No. U-17943 |
| Authorization of Gas Cost Recovery       | ) |                  |
| Factors for the 12-Month Period          | ) |                  |
| April 2016 – March 2017                  | ) |                  |
| _____                                    | ) |                  |

**SETTLEMENT AGREEMENT**

Pursuant to MCL 24.278 and Rule 431 of the Rules of Practice and Procedure before the Michigan Public Service Commission (“MPSC” or the “Commission”), the undersigned parties agree as follows:

1. On December 30, 2015, Consumers Energy Company (“Consumers Energy” or the “Company”) filed an Application requesting approval of a Gas Cost Recovery (“GCR”) Plan and Authorization of Gas Cost Recovery Factors for the 12-month period of April 2016 through March 2017 pursuant to Section 6h of 1982 Public Act 304, MCL 460.6h. Consumers Energy also presented a five-year forecast of the gas requirements of Consumers Energy’s customers, anticipated sources of supply, and projections of gas costs. The Company filed testimony and exhibits in support of its positions concurrently with its Application.

2. The initial prehearing conference in this proceeding was held on February 3, 2016 before Administrative Law Judge (“ALJ”) Sharon L. Feldman. The parties to the case are Consumers Energy, the MPSC Staff, and Attorney General Bill Schuette (“Attorney General”).

3. Direct testimony was filed by the Attorney General addressing various issues presented in Consumers Energy’s GCR Plan filing in this proceeding. Consumers Energy filed rebuttal testimony and exhibits. The parties waived cross-examination of witnesses, and the

testimony and exhibits of Consumers Energy's eight witnesses and the Attorney General's witness were bound into the record at a hearing conducted on July 14, 2016.

4. For purposes of settlement, the undersigned parties agree that Consumers Energy's 2016-2017 filed GCR Plan shall be approved as presented by the Company, with an approved GCR factor of \$2.8328 per Mcf, plus the ceiling price contingency mechanism as described in paragraph 5 below.

5. The parties agree that the Company should be authorized to implement a ceiling price contingency mechanism which is consistent with the Commission's May 3, 2016 Order in Case No. U-17693. The application of the contingency mechanism to be approved in this case is shown on Attachment A to this Settlement Agreement.

6. The parties agree that the Company will continue to present, in its GCR plan case filing, analysis of its gas purchasing strategies, including planned citygate purchases and planned contracts with interstate pipelines, during colder-than-normal periods.

7. The parties agree that the five-year GCR forecast presented in the Company's filing should be accepted.

8. This Settlement Agreement is entered into for the sole and express purpose of reaching a compromise among the parties. All offers of settlement and discussions relating to this Settlement Agreement are, and shall be considered, privileged under MRE 408. If the Commission approves this Settlement Agreement without modification, neither the parties to this Settlement Agreement nor the Commission shall make any reference to, or use, this Settlement Agreement or the order approving it, as a reason, authority, rationale, or example for taking any action or position or making any subsequent decision in any other case or proceeding; provided,

however, such references may be made to enforce or implement the provisions of this Settlement Agreement and the order approving it.

9. This Settlement Agreement is based on the facts and circumstances of this case and is intended for the final disposition of MPSC Case No. U-17943. So long as the Commission approves this Settlement Agreement without any modification, the parties agree not to appeal, challenge, or otherwise contest the Commission order approving this Settlement Agreement. The parties agree and understand that this Settlement Agreement does not limit any party's right to take new and/or different positions on similar issues in other administrative proceedings, or appeals related thereto.


10. This Settlement Agreement is not severable. Each provision of the Settlement Agreement is dependent upon all other provisions of this Settlement Agreement. If the Commission rejects or modifies this Settlement Agreement or any provision of the Settlement Agreement, this Settlement Agreement shall be deemed to be withdrawn, shall not constitute any part of the record in this proceeding or be used for any other purpose, and shall be without prejudice to the pre-negotiation positions of the parties.

11. The parties agree that approval of this Settlement Agreement by the Commission would be reasonable and in the public interest.

12. The parties agree to waive Section 81 of the Administrative Procedures Act of 1969 (MCL 24.281), as it applies to the issues resolved in this Settlement Agreement, if the Commission approves this Settlement Agreement without modification.

WHEREFORE, the undersigned parties respectfully request the Michigan Public Service Commission to approve this Settlement Agreement on an expeditious basis and to make it effective in accordance with its terms by final order.

**CONSUMERS ENERGY COMPANY**

By:  Digitally signed by Kelly M. Hall  
Date: 2016.10.31 15:16:47 -04'00' Date: 10/31/2016  
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**MICHIGAN PUBLIC SERVICE  
COMMISSION STAFF**

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**ATTORNEY GENERAL**

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# **Attachment A**



M.P.S.C. No. 2 - Gas  
Consumers Energy Company  
(To update Ceiling Price Adjustment Mechanism information)

Tenth Revised Sheet No. D-3.00  
Cancels Ninth Revised Sheet No. D-3.00

## MONTHLY GAS COST RECOVERY (GCR) FACTOR CEILING PRICE ADJUSTMENT (CONTINGENCY) MECHANISM

The Maximum Allowable Gas Cost Recovery (GCR) Factors on Sheet No. D-2.00 may be adjusted on a monthly basis, for the remaining months of the GCR Plan Year, contingent upon Michigan prices for natural gas for the Plan Year increasing to a level above the Plan prices which were incorporated in the calculation of the base GCR ceiling factor. Any adjustment of the Maximum Allowable GCR Factor shall be determined using the tables set forth on Sheet D-4.00.

The Company shall file with the Commission an updated Sheet No. D-2.00 at least 15 days before any adjustment in the Maximum Allowable GCR Factor if a contingency calculation under the method described below results in an increase or decrease to the Maximum Allowable GCR ceiling factors on Sheet No. D-2.00. All supporting documents necessary to verify an adjustment in the Maximum Allowable GCR Factor will be provided to the Michigan Public Service Commission Staff.

### Definitions:

|                                      |   |
|--------------------------------------|---|
| NYMEX Futures Month Prices           | NYMEX natural gas futures month settlement prices for the first five trading days (in \$/MMBtu).  |
| Michigan Futures Month Basis         | The MichCon natural gas basis futures settlements published by CME Group for the first five trading days (in \$/MMBtu).   |
| 5-day Average Michigan Futures Strip | Five day average of the sum of the NYMEX Futures Month Prices and the Michigan Futures Month Basis for the remaining months of the GCR period.                  |
| Michigan Price Forecast              | Average of the <i>actual monthly</i> MichCon Citygate Index prices for months in which they have become available and the 5-day Average Michigan Futures Strip. |

- Step 1 Determine an updated *12-month Plan* Michigan Price Forecast for the GCR period. *The updated 12-month Michigan Price Forecast should be a 12-month average calculated using actual monthly MichCon Citygate Index prices for months in which they have become available and the 5-day Average Michigan Futures Strip for the remaining months in the GCR period.*
- Step 2 Subtract the *12-month Plan* Michigan Price Forecast shown on Sheet No. D-4.00 from the updated *12-month* Michigan Price Forecast calculated in Step 1. The "Contingent GCR Ceiling Factor" will be based on the price increases calculated.
- Step 3 Determine the "Contingent GCR Ceiling Factor" using the following table on Sheet No. D-4.00. This "Contingent GCR Ceiling Factor" will be the Maximum Allowable GCR Factor for the remaining months of the GCR Plan year, unless adjusted during a subsequent monthly review.

(Continued on Sheet No. D-4.00)

Issued May 16, 2016 by  
J. G. Russell,  
President and Chief Executive Officer,  
Jackson, Michigan

|                                       |     |
|---------------------------------------|-----|
| Michigan Public Service<br>Commission |     |
| <b>May 16, 2016</b>                   |     |
| Filed                                 | DBR |

Effective for bills rendered for the  
April 2016 - March 2017 Billing Months

Issued under authority of  
1982 PA 304 Section 6h and the  
Michigan Public Service Commission  
in Case No. U-17943

M.P.S.C. No. 2 - Gas  
Consumers Energy Company  
(To update Ceiling Price Adjustment Mechanism information)

Fourteenth Revised Sheet No. D-4.00  
Cancels Thirteenth Revised Sheet No. D-4.00

**MONTHLY GAS COST RECOVERY (GCR) FACTOR  
CEILING PRICE ADJUSTMENT (CONTINGENCY) MECHANISM**  
(Continued From Sheet No. D-3.00)

12-month Plan Michigan Price Forecast \$2.5880/MMBtu  
Base GCR Ceiling Factor \$2.8328/Mcf  
Fractional Multiplier 0.8117

Contingent GCR Ceiling Factor

| Michigan Price<br>Forecast Increase | \$/Mcf   | Michigan Price<br>Forecast Increase | \$/Mcf   | Michigan Price<br>Forecast Increase | \$/Mcf   |
|-------------------------------------|----------|-------------------------------------|----------|-------------------------------------|----------|
| <\$0.05                             | \$2.8328 | <\$1.05                             | \$3.6445 | <\$2.05                             | \$4.4562 |
| <0.10                               | 2.8734   | <1.10                               | 3.6851   | <2.10                               | 4.4968   |
| <0.15                               | 2.9140   | <1.15                               | 3.7257   | <2.15                               | 4.5374   |
| <0.20                               | 2.9546   | <1.20                               | 3.7663   | <2.20                               | 4.5780   |
| <0.25                               | 2.9951   | <1.25                               | 3.8068   | <2.25                               | 4.6185   |
| <0.30                               | 3.0357   | <1.30                               | 3.8474   | <2.30                               | 4.6591   |
| <0.35                               | 3.0763   | <1.35                               | 3.8880   | <2.35                               | 4.6997   |
| <0.40                               | 3.1169   | <1.40                               | 3.9286   | <2.40                               | 4.7403   |
| <0.45                               | 3.1575   | <1.45                               | 3.9692   | <2.45                               | 4.7809   |
| <0.50                               | 3.1981   | <1.50                               | 4.0098   | <2.50                               | 4.8215   |
| <0.55                               | 3.2387   | <1.55                               | 4.0504   | <2.55                               | 4.8621   |
| <0.60                               | 3.2792   | <1.60                               | 4.0909   | <2.60                               | 4.9026   |
| <0.65                               | 3.3198   | <1.65                               | 4.1315   | <2.65                               | 4.9432   |
| <0.70                               | 3.3604   | <1.70                               | 4.1721   | <2.70                               | 4.9838   |
| <0.75                               | 3.4010   | <1.75                               | 4.2127   | <2.75                               | 5.0244   |
| <0.80                               | 3.4416   | <1.80                               | 4.2533   | <2.80                               | 5.0650   |
| <0.85                               | 3.4822   | <1.85                               | 4.2939   | <2.85                               | 5.1056   |
| <0.90                               | 3.5227   | <1.90                               | 4.3344   | <2.90                               | 5.1461   |
| <0.95                               | 3.5633   | <1.95                               | 4.3750   | <2.95                               | 5.1867   |
| <1.00                               | 3.6039   | <2.00                               | 4.4156   | <3.00                               | 5.2273   |
|                                     |          |                                     |          | ≥3.00                               | 5.2679   |

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